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Executive Registry

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STATEMENT BY THE PRESIDENT

To The Cabinet

On the Budgetary Situation

Each of you will be meeting shortly with the Budget Director on your agency's 1967 budget plans, so I want to say a few words about our budgetary problems in general.

When I first discussed the 1967 budget preview with you on May 13, I said that we had to make a major effort in two directions -

First, imaginative new ideas and programs, and
Second, hard-hitting, tough reforms in existing programs.

The Budget Director tells me that in general there has been no dearth of new and expensive ideas. In fact, the Budget Bureau estimates that the costs of the program goals and objectives which all of you have just submitted cannot conceivably be fitted into a reasonable budget total in fiscal 1967. The excess cost of your program submissions over any kind of realistic budget total is about twice what it was at this stage of budget-making last year.

Budget outlays will rise sharply from a number of causes, including

- . the second-year costs of this year's new legislation
- . the added costs of serving a growing population, and
- . pay increases

Moreover, the budgetary leeway which we have enjoyed in the last few years from

- . declining defense expenditures, and
 - . large increases in financial asset sales
- may not be with us in 1967.

Let me repeat that the answer to this problem does not lie in the direction of declaring a moratorium on new programs or program improvements.

That way lies stagnation.

We still have a long way to go to achieve the Great Society. There are still unmet needs for which we must design imaginative new programs.

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But we cannot simply add the costs of these programs on top of everything we are already doing. We have to carry forward the second part of my prescription. We have to make room for the new ideas by

- . a tough and hard-headed weighing of priorities among existing programs -- weeding out the obsolete and the lower priority activities
- . a thorough and continuing search for more efficient means of carrying out on-going activities.

The Budget Director tells me that while there have been some improvements in this regard, the preview submissions still do not full reflect the kind of hard choices which we are going to have to make.

Over the next several months, each of you is going to have to make these choices one way or the other -- they cannot be avoided. And they will have to be made expeditiously as we move through the budget cycle.

In the longer run we are going to have to equip ourselves to make these choices in the most effective way. You simply cannot conduct the vigorous and painstaking program analysis and weighing of priorities during the one month prior to the budget preview exercise or during the end-of-the-year budget season.

Program review is a year-round affair.

Furthermore, it needs the continuing attention of a high-caliber program and management evaluation staff, reporting to the top officials in the Department.

All of you are going to have to make hard choices. You need the best analysis you can get in order to make them wisely.

I urge each of you to review the adequacy of your arrangements for central program and management analysis to make sure that you are in a position to conduct an intensive evaluation of Departmental programs on a year-round basis.

One further point in this regard. Starting immediately, the Budget Bureau will be working with a selected number of agencies and bureaus throughout the Government to establish, on a formal basis,

- . program and
- . cost effectiveness analyses in depth.

These analyses have paid great dividends where they have been adopted.

I ask each of you who are involved to give your fullest cooperation in this effort.

I believe it will pay off handsomely.

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(CLASSIFICATION)

CENTRAL INTELLIGENCE AGENCY

EXECUTIVE MEMORANDUM

OFFICE OF THE DIRECTOR

EXECUTIVE MEMORANDUM No. 144

DATE 21 June 1965

TO:

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